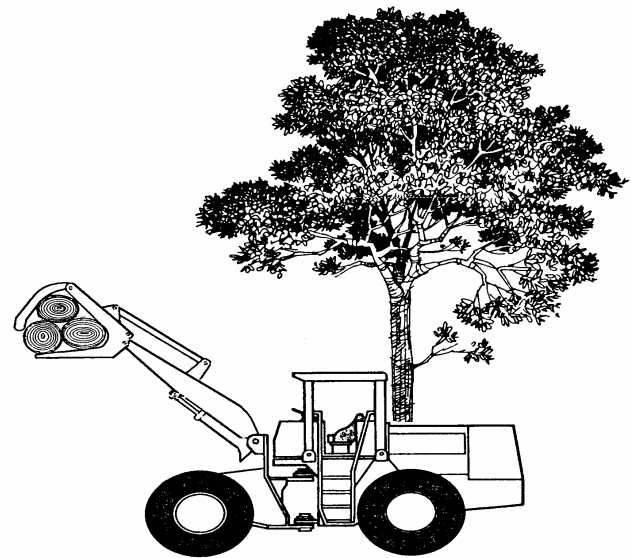


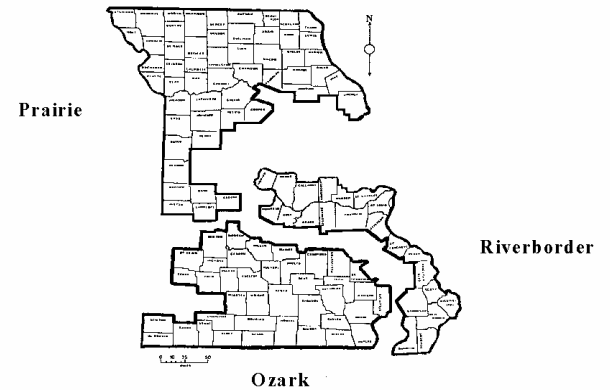
MISSOURI TIMBER PRICE TRENDS



Quarterly Market Report
Jan.-March, 2003
Vol. 13 No. 1

Missouri Department of Conservation
Forestry Division, Research Unit

Price Reporting Regions



Missouri Timber Price Trends tracks market prices for Stumpage and Delivered Logs. Reports on the Stumpage Market are received from Missouri Department of Conservation Resource Foresters and private consulting foresters. Stumpage refers to timber sold on the stump and does not reflect delivered mill prices. Reports on the Log Market give delivered log prices and are compiled from reports submitted by sawmills and other wood processing plants. These reports should serve as a **general** guide to track stumpage and delivered log prices. Landowners should not use this report to replace a timber inventory and marketing assistance as methods of conducting a sale. Missouri Department of Conservation Resource Foresters will be able to provide information on current, local market conditions. Details of all private sales and delivered prices are kept confidential.

Tree Scale Conversion Factors

Sawlogs - Veneer Logs	Int'l = Doyle x 1.2
Pulpwood Pine	5,200 lbs/cord
Hardwood (hard)	5,600 lbs/cord
Hardwood (soft)	4,200 lbs/cord

Statewide Timber Stumpage Prices

Jan.-March, 2003

	High Price	Low Price	Avg. Price	Last Quarter	Last Year
Veneer					
Black Walnut	\$6,915	\$500	\$2,485	\$1,910	\$2,060
Sawlogs					
Ash	\$65	\$65	\$65	\$140	\$80
Basswood	\$55	\$55	\$55	-	\$85
Black Walnut	\$540	\$210	\$390	\$620	\$410
Cherry	\$300	\$165	\$210	\$165	\$250
Cottonwood	\$60	\$50	\$50	\$65	\$55
Elm	\$60	\$40	\$45	\$65	\$45
Hackberry	\$165	\$55	\$70	\$100	\$90
Hickory	\$105	\$40	\$90	\$120	\$80
Mixed Hardwood	\$155	\$30	\$115	\$155	\$55
Oak (mixed)	\$185	\$105	\$135	\$145	\$90
Pecan	\$75	\$75	\$75	-	-
Post Oak	\$175	\$70	\$110	\$125	\$120
Red oak (group)	\$495	\$50	\$180	\$190	\$185
S Yellow Pine	\$100	\$85	\$95	\$95	\$130
Soft Maple	\$165	\$55	\$150	\$245	\$170
Sycamore	\$100	\$55	\$90	\$70	\$60
White oak (group)	\$250	\$55	\$145	\$170	\$160
Pulpwood					
Mixed Hardwood	\$1	\$1	\$1	-	-
Stave Logs					
White oak (group)	\$290	\$290	\$290	\$235	\$220
187 Reports	6.820 Int. -MMBF				

Riverborder Timber Stumpage Prices

Jan.-March, 2003

	High Price	Low Price	Avg. Price	Last Quarter	Last Year
Veneer					
Black Walnut	\$4,165	\$835	\$1,420	\$1,890	\$1,240
Sawlogs					
Black Walnut	\$460	\$335	\$350	\$370	\$410
Cherry	\$165	\$165	\$165	-	-
Hackberry	\$165	\$90	\$100	-	-
Mixed Hardwood	\$65	\$60	\$60		\$40
Oak (mixed)	\$125	\$120	\$125	\$50	\$50
Red oak (group)	\$165	\$60	\$90	\$300	\$105
Soft Maple	\$140	\$140	\$140	-	-
Sycamore	\$100	\$100	\$100	-	-
White oak (group)	\$150	\$85	\$100	\$240	\$75
24 Reports	328 Int. - MBF				

Ozark Timber Stumpage Prices

Jan.-March, 2003					
	High Price	Low Price	Avg. Price	Last Quarter	Last Year
Veneer					
Black Walnut	\$2,085	\$1,550	\$1,650	\$1,735	\$1,900
Sawlogs					
Black Walnut	\$540	\$350	\$430	\$700	\$535
Cherry	\$300	\$300	\$300	-	\$250
Hackberry	\$70	\$70	\$70	-	-
Hickory	\$105	\$50	\$95	\$90	\$85
Mixed Hardwood	\$155	\$30	\$115	\$75	\$55
Oak (mixed)	\$185	\$105	\$135	\$150	\$85
Post Oak	\$175	\$70	\$110	\$140	\$115
Red oak (group)	\$495	\$50	\$180	\$185	\$190
S Yellow Pine	\$100	\$85	\$95	\$95	\$130
Soft Maple	\$125	\$125	\$125	-	-
Sycamore	\$100	\$100	\$100	-	-
White oak (group)	\$250	\$90	\$140	\$130	\$170
Pulpwood					
Mixed	\$1	\$1	\$1	-	-
Stave Logs					
White oak (group)	\$290	\$290	\$290	\$265	\$225
100 Reports	5.984 Int. -MMBF				

Prairie Timber Stumpage Prices

Jan.-March, 2003					
	High Price	Low Price	Avg. Price	Last Quarter	Last Year
Veneer					
Black Walnut	\$6,915	\$500	\$2,730	\$2,035	\$2,210
Sawlogs					
Ash	\$65	\$65	\$65	\$140	\$80
Basswood	\$55	\$55	\$55	-	\$85
Black Walnut	\$460	\$210	\$405	\$510	\$385
Cottonwood	\$60	\$50	\$50	\$65	\$55
Elm	\$60	\$40	\$45	\$65	\$45
Hackberry	\$65	\$55	\$65	\$100	\$90
Hickory	\$60	\$40	\$50	\$70	\$60
Mixed Hardwood	\$60	\$35	\$45	\$55	\$70
Oak (mixed)	\$170	\$170	\$170	\$165	\$115
Pecan	\$75	\$75	\$75	-	-
Post Oak	\$100	\$100	\$100	\$185	\$150
Red oak (group)	\$210	\$55	\$140	\$175	\$150
Soft Maple	\$165	\$55	\$160	\$245	\$170
Sycamore	\$60	\$55	\$55	\$70	\$60
White oak (group)	\$215	\$55	\$185	\$185	\$155
63 Reports	508 Int. - MBF				

Statewide Delivered Log Prices
Dollars per Thousand Board Foot, Int. 1/4" Scale
Jan.-March, 2003

Sawlogs Species	Grade 1	Grade 2	Grade 3
Ash	\$265	\$200	\$150
Black Walnut	\$1,200	\$750	\$500
Cherry	\$500	\$300	\$200
Cottonwood	\$175	-	-
Elm	\$175	-	-
Hard Maple	\$400	\$300	\$200
Hickory	\$400	\$250	\$200
Post Oak	\$200	-	\$130
Red oak (group)	\$435	\$420	\$270
S Yellow Pine	\$140	-	-
Soft Maple	\$500	\$400	\$300
White oak (group)	\$425	\$350	\$250

8 Mills

Below Grade Logs Species	Blocking	Pallet	Tie
Ash	\$130	\$160	\$240
Black Walnut	\$200	-	-
Cottonwood	\$150	\$150	-
Elm	\$150	\$150	-
Gum	\$130	\$140	-
Hackberry	\$130	\$150	-
Hard Maple	\$150	\$160	\$230
Hickory	\$145	\$150	\$235
Post Oak	\$140	\$150	\$230
Red oak (group)	\$160	\$160	\$265
S Yellow Pine	\$150	\$150	\$200
Soft Maple	\$150	\$165	-
White oak (group)	\$160	\$160	\$270

10 Mills

Ozark Delivered Log Prices
Dollars per Thousand Board Foot, Int. 1/4" Scale
Jan.-March, 2003

Sawlogs			
Species	Grade 1	Grade 2	Grade 3
Hickory	-	-	\$200
Red oak (group)	\$300	\$300	\$250
S Yellow Pine	\$140	-	-
White oak (group)	\$400	\$200	-
3 Mills			

Below Grade Logs			
Species	Blocking	Pallet	Tie
Ash	\$130	\$165	\$160
Cottonwood	\$130	\$150	-
Elm	\$130	\$165	-
Gum	\$130	-	-
Hackberry	\$130	\$165	-
Hard Maple	\$130	\$165	\$160
Hickory	\$140	\$165	\$160
Post Oak	\$145	\$170	\$170
Red oak (group)	\$145	\$170	\$170
S Yellow Pine	-	\$150	\$200
Soft Maple	-	\$165	-
White oak (group)	\$140	\$165	\$180
4 Mills			

Riverborder Delivered Log Prices
Dollars per Thousand Board Foot, Int. 1/4" Scale
Jan.-March, 2003

Sawlogs			
Species	Grade 1	Grade 2	Grade 3
Ash	\$300	-	-
Post Oak	-	-	\$130
Red oak (group)	\$380	\$375	\$300
White oak (group)	\$300	\$325	\$260
2 Mills			

Below Grade Logs			
Species	Blocking	Pallet	Tie
Ash	-	\$140	\$240
Hard Maple	-	\$140	\$230
Hickory	\$130	\$140	\$230
Post Oak	\$130	\$140	\$220
Red oak (group)	\$130	\$140	\$220
White oak (group)	\$130	\$140	\$220
2 Mills			

Prairie Delivered Log Prices
Dollars per Thousand Board Foot, Int. 1/4" Scale
Jan.-March, 2003

Sawlogs Species	Grade 1	Grade 2	Grade 3
Ash	\$250	\$200	\$150
Black Walnut	\$1,200	\$750	\$500
Cherry	\$500	\$300	\$200
Cottonwood	\$175	-	-
Elm	\$175	-	-
Hard Maple	\$400	\$300	\$200
Hickory	\$400	\$250	-
Post Oak	\$200	-	-
Red oak (group)	\$450	\$425	\$265
Soft Maple	\$500	\$400	\$300
White oak (group)	\$435	\$350	\$250

3 Mills

Below Grade Logs Species	Blocking	Pallet	Tie
Black Walnut	\$200	-	-
Cottonwood	\$150	-	-
Elm	\$150	\$140	-
Gum	-	\$140	-
Hackberry	\$150	\$140	-
Hard Maple	\$150	-	-
Hickory	\$150	\$140	\$240
Post Oak	\$150	\$140	\$250
Red oak (group)	\$165	\$160	\$280
S Yellow Pine	\$150	-	-
Soft Maple	\$150	-	-
White oak (group)	\$165	\$160	\$280

4 Mills

QUARTERLY MARKET CONDITIONS

Other Delivered Prices (Jan.-March, 2003)

Product	Average
Pulpwood	\$19 / Ton
Scrag Logs	\$25 / Ton

23 mills, with a combined annual production of 23 million board feet, participated in the survey of log and lumber market conditions. In addition, foresters reported stumpage prices resulting from 59 timber sales containing 7 million board feet located throughout the state.

Log Markets

It has been a wet Spring over much of the state, reducing the volume of logs delivered to mills. That, plus an increase in demand for pallet logs and tie logs has created low log inventories on many sawmill yards. Nearly 50% of the mills that submitted reports this quarter reported low log inventories. The good news is that the majority of mills are now in the process of rebuilding their log inventories so the demand for logs has increased noticeably.

Increased prices for next quarter mentioned most often were tie logs and grade red oak logs. Decreasing prices were forecast for walnut lumber and veneer logs and pallet logs. However, it is noted that many mills reported improved markets for pallet lumber, grade lumber, flooring lumber, and ties. Demand for these products is good, but the picture is mixed on prices. Several mills mentioned they were selling everything they could cut, but without any significant prices increases.

Pine lumber prices are much lower this quarter combined with low demand. This is possibly the result of large volume salvage sales in SE Missouri late in 2002 that over-supplied the limited market for pine lumber in Missouri.

Industry wide I detected optimism that the economy is showing signs of overall improvement and business is slowly increasing in the wood products sector. There are still many complaints about high stumpage rates, but many mills are looking at greatly improved business conditions during the remainder of 2003.

Stumpage Markets

Stumpage prices normally lag several months behind prices for manufactured products, so the optimism for increased markets seen in the sawmill sector was not really evident in stumpage prices reported during the first quarter of 2003. Walnut veneer prices are a notable exception, however seasonal considerations are likely to lower demand and prices for these logs in the next few weeks. A few walnut buyers in central Missouri have indicated that good prices for high quality walnut veneer logs may last later into Spring than usual. I expect to see several walnut sales reported

during the next quarter with prices nearly at levels we have seen for the past two quarters.

Does that mean that anyone who has a walnut sale ready for bidding should put it on the market now? Certainly not! Consult your forester for local market advice, not just for walnut but for any commercial species.

Apparently, more landowners are seeking assistance from foresters before selling timber because we had a total of 59 separate timber sales reported this quarter. That is almost twice as many as normally reported. Of course, all were administered by either a consulting forester or an MDC resource forester. Most of the sales were from private land and were sold on "lump sum" basis. Nearly all were marked, meaning that the trees to be removed were selected on the basis of economic or physiological maturity and that the residual timber stands contained good quality trees of desirable species for the site.

I want to call your attention to the fact that all prices appearing in this report are calculated on the basis of **International 1/4" Scale**. This is true for both stumpage prices and mill delivered log prices. Realistically, most of the timber sold in the Prairie Region and the River Border Region is sold using the **Doyle Log Scale**. Variations in these two log rules can account for a *significant difference in the price paid per board foot*. This is but one of the reasons that the price quoted to you by a local timber buyer may be significantly different than those you see published here. Conversions between the scales are possible, but not precise. If you are confused by the scale issue, you are not alone. It is a good topic to discuss with your forester over a cup of coffee!

Selling On "Shares"

Landowners should realize that if they are offering standing timber for sale *on a shares basis*, they will probably be quoted higher prices than if they are selling on a *lump sum basis*. A shares agreement means that the landowner retains ownership of the cut logs until they are purchased by a mill. When the logs are sold, the landowner receives a pre-determined percentage of the delivered price. The mill normally writes two checks, one to the logger and one to the landowner, although sometimes the logger collects the full amount and reimburses the landowner his agreed upon percentage. In this type of arrangement, the logger is a *contractor* who agrees to cut, skid, and haul the designated trees to a market or variety of markets. The logger technically does not acquire an ownership position in the trees or logs.

The majority of timber sales conducted without the assistance of a forester are done on a share basis. Here are several facts to consider if you are considering this type of arrangement to market your timber.

1. The landowner is assuming a portion of the risk of defective trees because he will only receive payment for those trees actually sold to a market. Thus you may get a higher price but actually sell less volume.
2. The landowner does not usually know in advance the volume of timber being sold or mix of different quality logs. For example, the landowner should receive a higher percentage for higher quality products such as veneer logs, stave logs, better species, etc., but may not even know those products are present in their timber.
3. The landowner must trust the logger to market each log for its best use and to be truthful in telling the landowner every mill to which logs

are being delivered. Essentially the mill also becomes a third business partner if they are writing checks to pay for your timber.

4. Once the trees and logs are cut they have a limited "shelf life" during which they must be sold. If something happens that delays delivery to a market, the quality and the price received may decline rapidly.

Selling on "shares" can seem attractive by offering potentially higher prices to the landowner for his standing timber. However, there are several elements of risk involved as noted above, any one of which can lead to less return than anticipated. Shares contracts are simply sealed with a handshake in many cases, but they are more complex than they appear. Written contracts are always recommended, no matter how the timber is sold.

Timber is valuable asset and any sale of such an asset should be administered with care in a truly business-like manner. "Shares" arrangements, even between friends, often lead to misunderstanding or feelings of inequity.

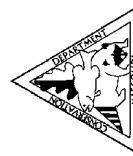
All that said, there is one big advantage in selling timber in a "share" arrangement. It can be utilized to qualify the seller for *capital gains tax treatment* of the proceeds. Capital gains treatment is desirable because it potentially decreases federal income tax liability and may also rule out assessment of *self employment tax* on the proceeds of the sale. These are some relatively complex aspects of the federal timber tax regulations. A discussion of them with your forester and your accountant are advised before selling your timber.

For more information on federal timber tax regulations visit the website: [**www.timbertax.org**](http://www.timbertax.org)

Shelby Jones, Editor

Editor's Note:

Remember that one of the most valuable sources for information on log and timber markets is the local Missouri Department of Conservation Resource Forester or your Consulting Forester. Contact the nearest Forest District office for up-to-date, local advice. The Missouri Department of Conservation's Forestry Division, (573) 751-4115, will be happy to provide you with the name and address of the Resource Forester or MDC Regional Office nearest to you. You can locate a Consulting Forester by visiting the Mo. Consulting Forester's Association web site at: [www.missouriforesters.com**](http://www.missouriforesters.com)**



Missouri Department of Conservation
P.O. Box 180
Jefferson City, MO 65102